DEFENSE LOGISTICS AGENCY
DEFENSE CONTRACT MANAGEMENT COMMAND
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY REFER TO AQO

OCT -6 1997

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM)
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH, DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH, DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION

SUBJECT: Single Process Initiative (SPI) Quarterly Report, July - September, 1997

The attached SPI quarterly report contains highlights of the results of our activities this quarter and a look at our plans as we prepare to begin our third year. It is a summary level document for executive management awareness. It also provides an overview of the latest SPI statistics.

Should you have any questions or concerns regarding information contained in the attached report, please contact Ms. Marialane Schultz, SPI/Block Change Management Team Leader at (703) 767-2471.

Timothy P. Malishenko

TIMOTHY P. MALISHENKO
Brigadier General, USAF
Commander

Attachment

cc:
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Distribution List:

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Single Process Initiative (SPI)
Quarterly Report
July 1 - September 30, 1997

Heading Toward Our Third Year

- Major thrust is reducing total ownership costs for Department of Defense (DoD) systems.
- Recognize supplier participation as a force multiplier and an area for increased emphasis.
- Lots of good ideas underway. Vast opportunities exist to leverage them. We will facilitate leveraging across industry sectors and corporations. SPI Team linking with other acquisition reform and industry initiatives, like technology insertion, and with corporate Management Councils.
- Enhanced metrics in place to measure program effectiveness and results--goal is to push for more payback to programs.
- These items are discussed in more detail below.

Growing the Business

The table below illustrates our current SPI activity compared to last quarter's. We are pleased to report improved performance in every category, particularly cycle-time.

	September 30, 1997	June 30, 1997	% Change
Proposed processes	1147	941	21.9%
Processes modified	644	493	30.6%
Contractors participating	241	202	19.3%
Average cycle-time	132	135	- 2.2%
Negotiated savings	$8.7M	$5.9M	47.5%
Est. cost avoidance	$292M	$280M	4.3%

Appendices A through H contain summary information on SPI implementation.

Process Improvements

- Establish procedures/tools to better track SPI progress, highlight problem areas, and measure results.
- New SPI database deployed to increase management visibility at all organizational levels.
- New capabilities allow early detection of problems for quick resolution and insight on processes exceeding 120-day cycle.

How's Your SPI Portfolio Performing?

- Program Offices are in unique position to periodically ask themselves how SPI innovations have or could impact their programs. Program Managers know their contracts, contractors, and have visibility into problems. Root causes of problems can be opportunities--SPI may be vehicle to facilitate improvements. Program Managers should provide this type of input to Component Team Leaders (CTL).
- CTL network is excellent source of data. CTLs are key members of each Management Council, promoting Program Office ideas and providing feedback to Program Executive Officers (PEO).
- Results versus return of investment analysis should allow PEOs to gauge what they are getting.

Help Increase Management Council Effectiveness

- Services should facilitate active involvement of CTLs. Management Councils can be a forum for customer agenda.
- Contractors should strive for better coordination during pre-concept paper phase. Contractors should develop and prioritize their ideas prior to formal concept paper submission based on cost, schedule, performance, and sustainment impact--again, goal is to reduce total ownership cost.
- Recent Defense Contract Management Command (DCMC) memoranda provide advice in forming and developing successful Management Councils. Focus is on sharing proven attributes driving effective, successful Management Councils.
- Management Councils urged to use proven approaches.

Strong Push for Supplier Involvement

- Under Secretary of Defense (A&T) policy memorandum of May 16, 1997 encourages Management Councils to facilitate and enable substitution of accepted subcontractor SPI processes.
- Industry off to good start by reaching out and facilitating.
  - Three prime contractors have approved enabling processes, nine more in the works.
  - Aerospace Industries Association plans November 1997 formal kick-off of Supplier Management Council.
  - Lockheed Martin Supplier Symposium held in July 1997.
  - Boeing Supplier Conference planned in October 1997.
  - Hughes developing Supplier Forum with CTL type approach.
- Corporate-wide and industry-wide opportunities exist. Linkages between prime contractors and industry associations key.

Ripe for the Picking -- Quarterly Wrap-Up

- Fine-tuning idea selection and prioritization is goal for targeting high payback concepts.
- SPI participants need to focus on technical innovations in high payoff areas like engineering and manufacturing.
- Look for leveraging potential -- industry says parts marking, parts management, and tubing are areas with broad impact.
- Share, share, share ideas -- goal is to share SPI successes to leverage payoffs. Sharing mechanisms include: Block Change Management Team meetings, DCMC Homepage, and educational outreach efforts. A few examples are discussed below.
- Boeing McDonnell Douglas Corporation, Mesa proposes to commercialize Environmental Control System (ECS) on the Longbow program by utilizing four commercial automotive ECS parts. Proposal is straightforward example of how simple ideas can result in acquisition savings.
- Boeing McDonnell Douglas Astronautics, St. Louis, MO, developing concept paper to reduce the number of different fasteners stocked and maintained in inventory from 93,000 fasteners to 73,000. $5.3 annual savings possible.
- Korean Air Lines has an approved concept paper for recycling plastic media blasting material used in paint stripping. Results in savings in material cost, labor dollars, and disposal costs.

Commercial Technology Insertion Initiative

- Extensive potential to integrate commercial technological advancements in military systems.
- Computer Aided Life Cycle Engineering (CALCE) Electronic Packaging Research Center (EPRC), University of Maryland, is a research, technology transfer, and educational organization.
- SPI Team plans linkage with CALCE EPRC initiatives to energize SPI participants who are also CALCE EPRC consortium members.

Escalation Keeps Ideas Flowing

- SPI Team briefing to the Defense Systems Affordability Council in August 1997 demonstrated need for more visibility when SPI process stalls.
- DCMC followed up with improvements outlined on page 1 -- more visibility on aging concepts.
- Examples below illustrate progress in resolving disagreements.
- AlliedSignal**.**
  - Contractor commercial packaging proposal initially rejected by Management Council.
  - CTLs raised issue in accordance with SPI escalation policy.
  - Escalation resulted in acceptance of proposal with minor changes to bar-coding.
- Northrop Grumman ESID & SBMS, Melbourne, FL
  - Three concept papers were escalated by Defense Contract Management District East to Air Force member of Block Change Management Team.
  - Escalation facilitated final approval.
- Boeing McDonnell Douglas Helicopter Systems, Mesa, AZ
  - Army and Air Force approved wire harness construction proposal.
  - Boeing and NAVAIR will meet October 6, 1997 to discuss technical concerns.
  - Navy Acquisition Reform Executive is tracking resolution.
- General Electric Aircraft Engines packaging concept.
  - Navy and Air Force approved proposal as amended. Army concerns remain.
  - Decision briefing to Army Acquisition Executive scheduled for October 10, 1997.

Policy Changes of Interest

- Change to Defense Federal Acquisition Regulation Supplement Part 211, Interim Rule signed August 20, 1997. Removes major obstacle to SPI implementation by encouraging offerors to propose using nongovernment standards meeting intent of military or federal specifications and standards.
- Federal Acquisition Regulation Case 95-011 proposes considerable reduction of consent to subcontract requirement.
- Legislative proposal to eliminate subcontract notification requirement for contractors with an approved purchasing system was not passed this year. Expect re-proposal next session.

Wanted: More Players

- Preliminary analysis from Industrial Analysis Support Office (IASO) indicates 120 of the Top 200 contractor list published in *Government Executive* are potential SPI participants. Thirty-two of these corporations currently participating with 135 facilities engaged. We will develop marketing approaches for the remainder using IASO data. Final IASO report expected October 15, 1997.
- Defense Contract Management District International is targeting international divisions of companies whose United States counterparts are SPI participants.

In Summary...

- SPI goal is to reduce total ownership costs of DoD systems.
- DCMC will facilitate contractor and service involvement, communicate results, and quickly escalate disagreements over concept papers and overall issues.
- Services and Program Offices should perform periodic portfolio reviews and provide feedback to Management Councils.
- Contractors need to get their suppliers involved and seek corporate-wide SPI opportunities.
- We're planning to make our third year the best yet!

DCMC SPI Homepage: www.dcmc.dcrb.dla.mil/
Select "Hot Topics"

Appendix Index

APPENDIX A

SINGLE PROCESS INITIATIVE

Implementation Summary

As of: ***Tuesday, September 30, 1997***

Contractor Facilities:	***241***
Top 200 Corporation Facilities:	135
International Facilities:	6

Total Proposed Process Changes:	***1147***
Found Technically Unacceptable:	47
Processes Withdrawn/Disapproved:	175
Total Block Change Modifications:	***644***
Average days from Submittal to Modification:	132
Total Open:	328
*** Total Open Aged Over 120 days:**	107

Proposal Development (30 Days)

Total Under Development/Awaiting Initial Acceptance:	44
Total Under Development for More Than 30 Days:	33

Approval (60 days)

Total Under Review for Approval:	149
Disagreements/Problems Escalated:	20
Total Under Review for More Than 60 Days:	67

Modification (30 Days)

Total Awaiting Contract Modification:	135
Total Awaiting Contract Modification for More Than 30 Days:	113

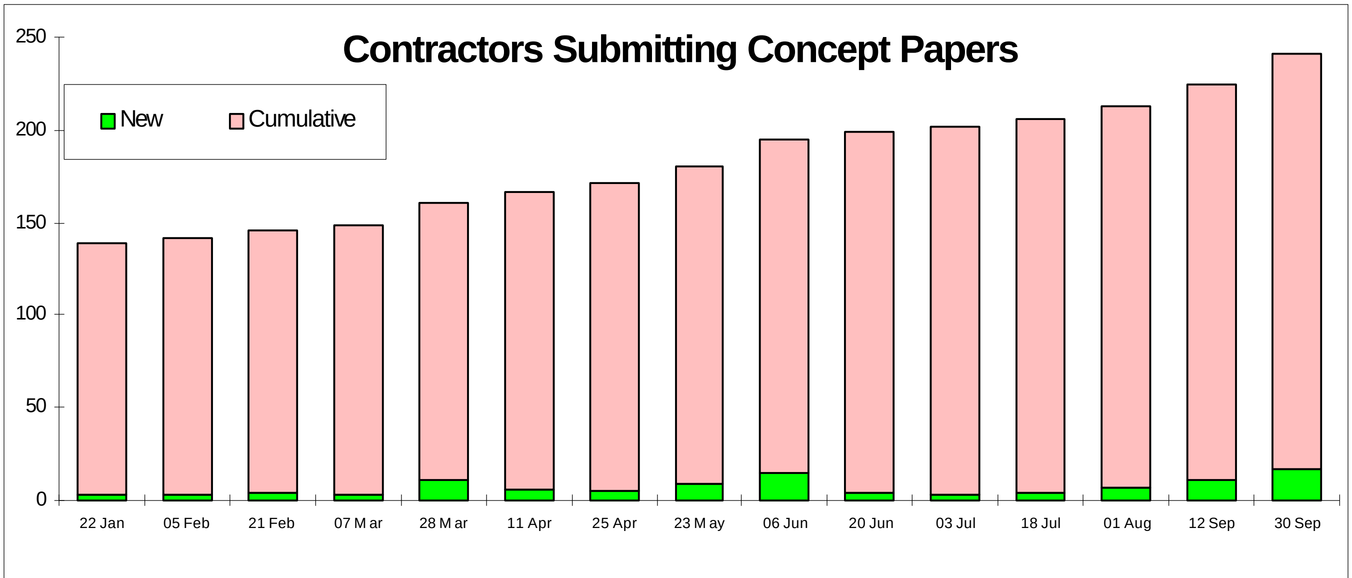
Implementation Results

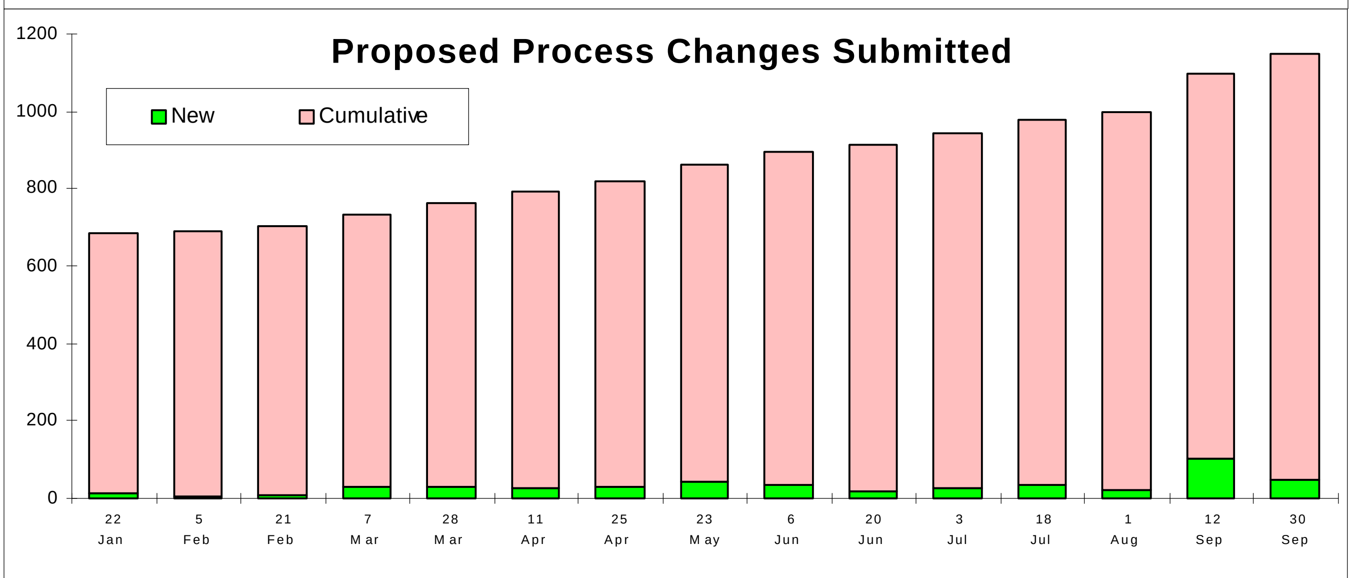
Amount Negotiated:	$8,694,684
Estimated Cost Avoidance on Future Contracts:	$291,520,739

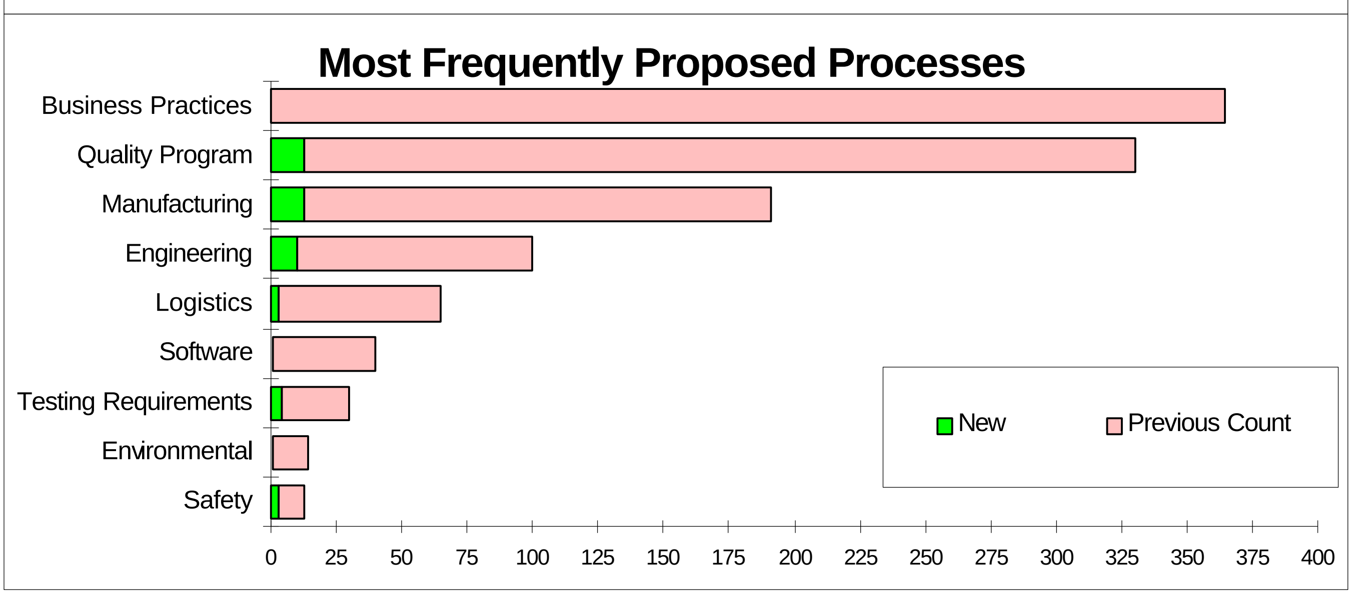
* Does not include Law/Reg Proposals

Appendix A

APPENDIX B

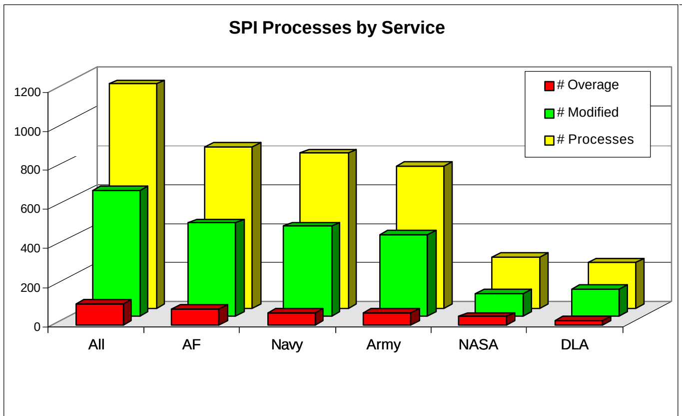

Contractors Submitting Concept Papers
New
Cumulative
250
200
150
100
50
0
22 Jan
05 Feb
21 Feb
07 Mar
28 Mar
11 Apr
25 Apr
23 May
06 Jun
20 Jun
03 Jul
18 Jul
01 Aug
12 Sep
30 Sep

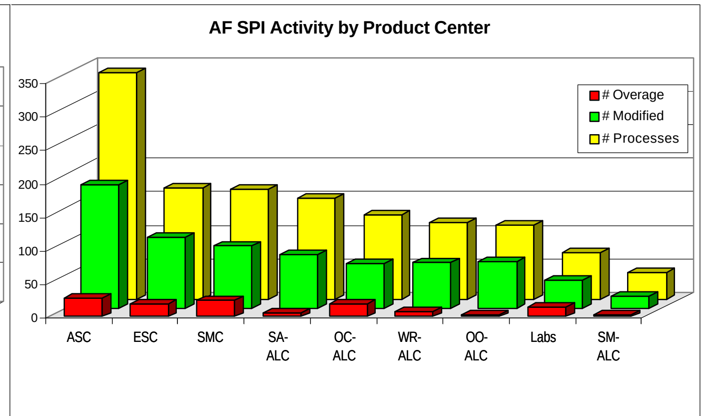

Proposed Process Changes Submitted
New
Cumulative
1200
1000
800
600
400
200
0
22 Jan
5 Feb
21 Feb
7 Mar
28 Mar
11 Apr
25 Apr
23 May
6 Jun
20 Jun
3 Jul
18 Jul
1 Aug
12 Sep
30 Sep

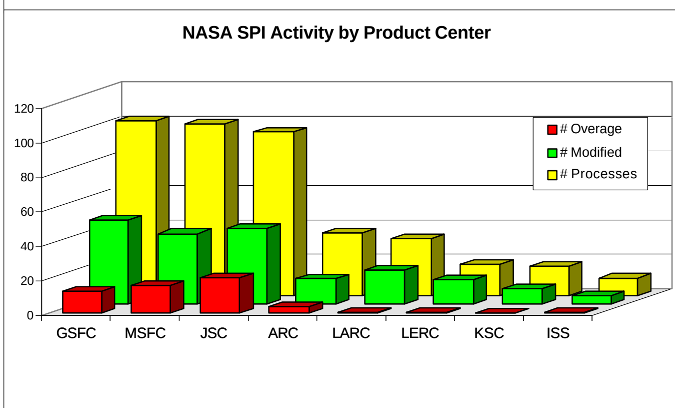

Most Frequently Proposed Processes
Business Practices
Quality Program
Manufacturing
Engineering
Logistics
Software
Testing Requirements
Environmental
Safety
New
Previous Count
0
25
50
75
100
125
150
175
200
225
250
275
300
325
350
375
400

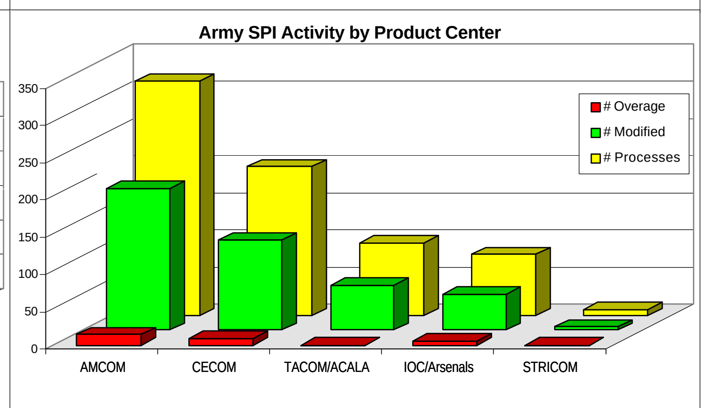
Appendix B

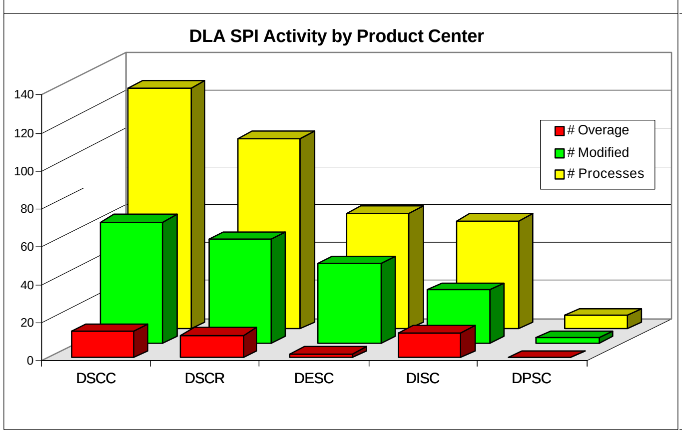
SPI Demographics by Service and Buying Office

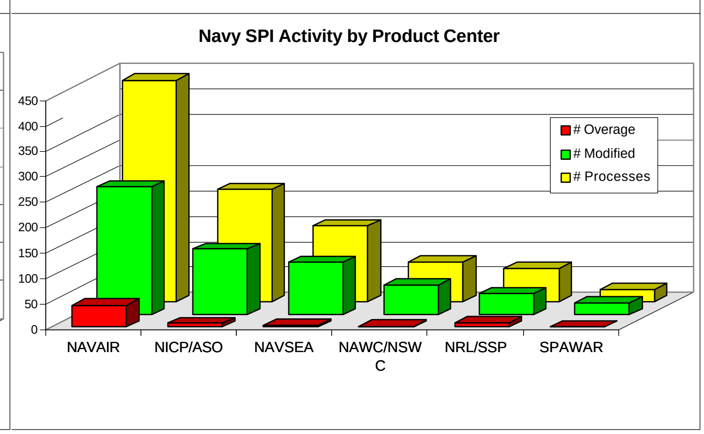












APPENDIX C

SPI Participation Compared to DoD SALES

(Top DoD/Government Corporations participating in SPI)

Company	DoD Sales (in $K)	DoD Rank	SPI Participant?	Proposed Processes	Processes Modified	Priority	% of Top 200 Total Sales
Lockheed Martin Corp.	**$11,663,355**	**1**	**Y**	**205**	**109**	3	**15.10%**
Boeing Co. & McDonnell Douglas	**$10,682,509**	**2**	**Y**	**190**	**65**	3	**13.83%**
Northrop Grumman Corp.	**$3,098,529**	**4**	**Y**	**59**	**35**	**2**	**4.01%**
General Motors Corp. (Hughes)	**$3,068,039**	**5**	**Y**	**68**	**42**	3	**3.97%**
Raytheon Co.	**$3,061,388**	**6**	**Y**	**36**	**27**	**2**	**3.96%**
Loral Corp.	**$2,507,418**	**8**	**Y**	**6**	**1**	**2**	**3.25%**
General Dynamics Corp.	**$1,817,621**	**9**	**Y**	**27**	**17**	**2**	**2.35%**
United Technologies Corp.	**$1,791,745**	**10**	**Y**	**54**	**21**	**2**	**2.32%**
General Electric Co.	**$1,618,508**	**11**	**Y**	**44**	**25**	**2**	**2.10%**
Litton Industries Inc.	**$1,280,886**	**12**	**Y**	**19**	**13**	3	**1.66%**
Rockwell International	**$1,255,306**	**14**	**Y**	**27**	**17**	3	**1.63%**
Science Applications International Corp.	***$966,427***	***15***	***Y***	***2***	***1***	***1***	**1.25%**
TRW Inc.	***$894,894***	***16***	***Y***	***15***	***11***	***1***	**1.16%**
FMC Corp. (United Defense)	**$805,015**	**17**	**Y**	**20**	**17**	**2**	**1.04%**
Texas Instruments Inc.	**$671,928**	**19**	**Y**	**25**	**21**	**2**	**0.87%**
GTE Corp.	***$664,038***	***21***	***Y***	***6***	***0***	***1***	**0.86%**
ITT Corp.	**$606,265**	**22**	**Y**	**23**	**20**	3	**0.79%**
Textron Inc.	**$552,064**	**26**	**Y**	**21**	**10**	3	**0.71%**
Tracor Inc.	**$513,573**	**27**	**Y**	**5**	**3**	3	**0.67%**
Allied Signal Inc.	**$495,965**	**28**	**Y**	**18**	**10**	3	**0.64%**
Olin Corp.	**$469,801**	**31**	**Y**	**2**	**1**	3	**0.61%**
Alliant Techsystems Inc.	**$468,261**	**32**	**Y**	**3**	**2**	**2**	**0.61%**
Honeywell Inc.	**$306,927**	**41**	**Y**	**6**	**2**	**2**	**0.40%**
Motorola Inc.	**$288,688**	**45**	**Y**	**11**	**8**	3	**0.37%**
Harris Corp.	**$281,381**	**46**	**Y**	**1**	**1**	**2**	**0.36%**
Teledyne Inc. (Army Top 30 Ktr)	***$231,580***	***54***	***Y***	***1***	***0***	***1***	**0.30%**
Rolls Royce PLC	**$200,048**	**60**	**Y**	**14**	**7**	**2**	**0.26%**
Gencorp Inc.	**$150,095**	**79**	**Y**	**1**	**1**	3	**0.19%**
Cubic Corp.	**$141,709**	**87**	**Y**	**2**	**1**	3	**0.18%**
Oshkosh Truck Corp.	**$129,881**	**97**	**Y**	**4**	**2**	3	**0.17%**
Eaton Corp.	**$104,855**	**n/r**	**Y**	**2**	**2**	**2**	**0.14%**
Ceridian Corp.	**$102,338**	**n/r**	**Y**	**7**	**6**	3	**0.13%**
TOTALs (Top 200 SPI Participants)	**$50,891,037**		**32**	**924**	**498**		
TOTAL (Top 200)	$77,227,026						
Total FY95 Purchases:	$118,466,412						

Over 80% of Total SPI CPs

43.0% of Total DoD Sales

SPI KTRS DoD Sales = 65.90% of Top 200 KTRS FY95 **DoD Sales**

Legend:

Bold Text Indicates Companies That Are SPI Participants

Priority 1 : High DoD Sales & # of Facilities - No or Minimal SPI Participation, Encourage Company and Cognizant CAO

Priority 2: High DoD Sales & # of Facilities - No or Minimal Recent SPI Participation, Follow Up Needed

Priority 3: Lower DoD Sales - No or Minimal Participation, Contact Company and Cognizant CAO

No Priority: Low Potential for SPI Participation - Petroleum, Shipbuilding, Services, Consulting, etc.

APPENDIX D

APPENDIX E

APPENDIX F

NASA Quarterly Report Executive Summary

This summary provides a comparison of SPI activity from last quarter to the current quarter for those contractors where NASA is a customer. As depicted on the enclosed NASA Summary Report, our database reflects the following NASA SPI activity:

	Sept 30, 1997	July 1, 1997	% Change
Proposed processes	260	202	28.7%
Processes modified	115	87	32%
Contractors participating	27	25	8%
Companies with modifications	25	22	13.6%
Average cycle-time	153	144	6.25%

SINGLE PROCESS INITIATIVE

Implementation Summary

As of: ***Tuesday, September 30, 1997***

Contractor Facilities:	***27***
Top 200 Corporation Facilities:	24
International Facilities:	0

Total Proposed Process Changes:	***260***
Found Technically Unacceptable:	4
Processes Withdrawn/Disapproved:	45
Total Block Change Modifications:	***115***
Average days from Submittal to Modification:	153
Total Open:	100
*** Total Open Aged Over 120 days:**	41

Proposal Development (30 Days)

Total Under Development/Awaiting Initial Acceptance:	7
Total Under Development for More Than 30 Days:	4

Approval (60 days)

Total Under Review for Approval:	45
Disagreements/Problems Escalated:	6
Total Under Review for More Than 60 Days:	26

Modification (30 Days)

Total Awaiting Contract Modification:	48
Total Awaiting Contract Modification for More Than 30 Days:	45

Implementation Results

Amount Negotiated:	$75,000
Estimated Cost Avoidance on Future Contracts:	$126,188,689

* Does not include Law/Reg Proposals

Appendix F